



ECONOMIC INDICATORS

CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: April 9, 2014

IN THIS ISSUE.....

- Norfolk's unemployment rate (not seasonally adjusted) was 6.5 percent in February, which was below both last year's rate by 0.7 percentage point (February 2013) and last month's rate by 0.2 percentage point (January 2014). (See page 1)
- Virginia's nonfarm employment (not seasonally adjusted) fell year-over-year in February by 0.12 percent (4,500 jobs) to 3,714,900 jobs from 3,715,400 jobs last year (February 2013). (See page 2)
- Hampton Roads nonfarm employment (not seasonally adjusted) fell year-over-year in February by 0.31 percent (2,300 jobs) to 738,200 from 740,500 last year. (See page 2)
- Through February, the average sales price of homes sold in Hampton Roads fell 1.0 percent, to \$213,504 from \$215,594. (See page 3)
- In Norfolk, the average sales price of homes sold through February fell 6.0 percent, from \$179,238 to \$168,425, with the decline occurring in both existing and new homes sold. (See page 3)
- Through February, the number of housing units permitted in Norfolk rose to 140 units, up 86 units (159 percent) permitted from the same period last year (February 2013). The increase was mainly from housing units permitted in February to convert an office building to apartments. (See page 4)
- Through February, Norfolk sales taxes were up 2.6 percent (or \$491,200). However, adjusting for the correction of an overpayment to Norfolk last year by the Virginia Department of Taxation, sales taxes were down 2.0 percent. (See page 5)
- Real GDP rose at an annual rate of 2.6 percent (third estimate) in the fourth quarter of 2013, after rising at a 4.1 percent rate in the third quarter. For all of 2013, real GDP grew 1.9 percent (third estimate). In comparison, real GDP grew 2.8 percent in 2012. (See page 6)

Residential Employment

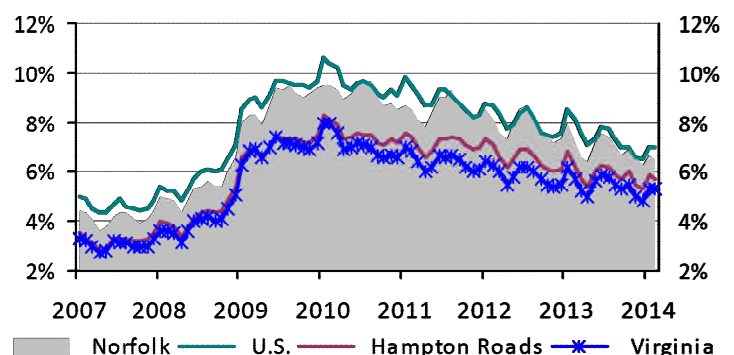
Hampton Roads and State Unemployment Rate (not seasonally adjusted)

	February 2014*	January 2014	February 2013	10-Year Average
Norfolk	6.5%	6.7%	7.2%	6.4%
Chesapeake	5.1%	5.1%	5.7%	4.8%
Hampton	6.5%	6.7%	7.1%	5.9%
Newport News	6.7%	6.9%	7.0%	5.7%
Portsmouth	7.2%	7.5%	7.3%	6.5%
Suffolk	5.7%	5.8%	6.1%	5.3%
Virginia Beach	4.9%	5.0%	5.4%	4.4%
Hampton Roads	5.7%	5.9%	6.2%	5.1%
Virginia	5.3%	5.3%	5.7%	4.8%

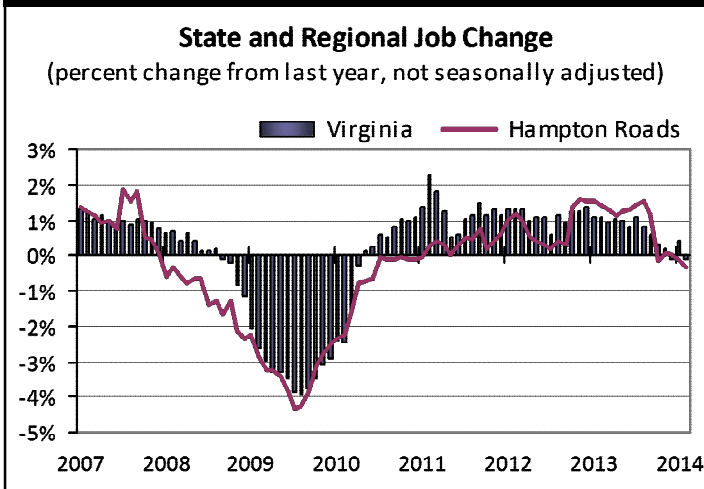
In February, Norfolk's unemployment rate (not seasonally adjusted) was 6.5 percent, which was below both last year's rate by 0.7 percentage point (February 2013) and last month's rate by 0.2 percentage point (January 2014). The state and region's unemployment rate generally followed the same trend, except in Chesapeake, Virginia Beach and Virginia where the unemployment rate (not seasonally adjusted) was unchanged from last month.

Norfolk's unemployment rate fell from last year, as the number of unemployed residents fell by 673 (9.1 percent), while the Norfolk labor force and number of employed residents grew by 1,714 (1.7 percent) and 2,387 (2.5 percent), respectively. Norfolk's unemployment rate has been declining year-over-year in every month since September 2010. Also, Norfolk's unemployment rate continued to be below the national rate (not seasonally adjusted).

Unemployment Rate: Norfolk, Region, State and National (not seasonally adjusted)



State and Regional Employment



Statewide nonfarm employment (not seasonally adjusted) fell year-over-year in February by 0.12 percent (4,500 jobs) to 3,714,900 jobs from 3,719,400 jobs last year (February 2013). The largest decline statewide from last year was in professional and business services (24,300 jobs).

Nonfarm employment (not seasonally adjusted) in Hampton Roads also fell year-over-year in February, for the second straight month, by 0.31 percent (2,300 jobs) to 738,200 from 740,500 last year. The job losses were largely in the federal government, financial activities, professional and business services, and construction.

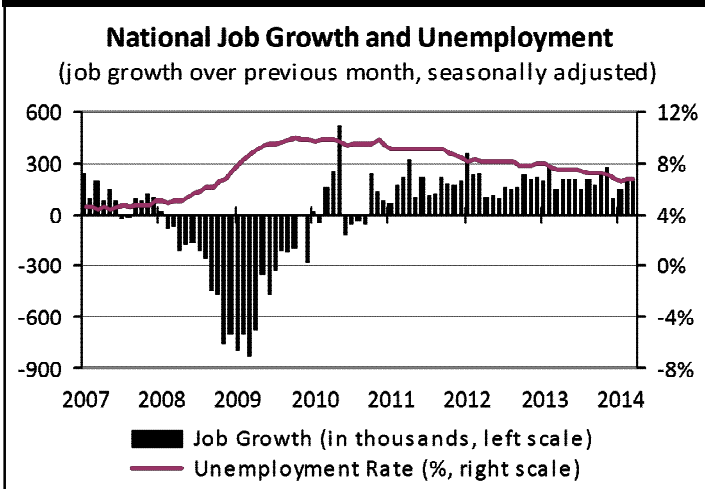
Nonfarm employment (not seasonally adjusted) also fell year-over-year in other Virginia metropolitan areas including Northern Virginia, where employment fell 0.25 percent (3,400 jobs), Danville, Lynchburg, Roanoke, and Charlottesville. In contrast, Richmond had the largest gain (9,300 jobs), mostly in retail trade, education/health services, financial activities, and construction.

February Job Change in Select Industries

(not seasonally adjusted¹; job changes are from previous year)

	Hampton Roads ²	Virginia ²
Construction	-1,400	3,000
Manufacturing	-500	-2,600
Trade (Retail and Wholesale)	1,200	5,800
Transportation and Utilities	-200	-300
Information	-300	-1,500
Financial Activities	-1,600	3,300
Professional and Business Services	-1,500	-24,300
Educational and Health Services	3,700	16,900
Leisure and Hospitality	700	-4,500
Government	-2,200	-3,500
Federal Government	-2,200	-5,500
State Government	0	1,300
Local Government	0	700

National Employment



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) in March rose by 192,000 jobs. Employment in March increased in all the major sectors except manufacturing and the federal and state government. Through the first quarter of 2014, employment increased by 533,000, an average of 178,000 jobs per month. All the major sectors, except information and federal government, have gained jobs year-to-date. Since February 2010, when total employment was at its lowest, the economy has added at least 8.27 million jobs, nearly recovering the 8.7 million jobs (revised) from January 2008 to February 2010. Job gains have mainly been in the private sector, which has added 8.9 million jobs since March 2010. In March, the seasonally adjusted unemployment rate was unchanged at 6.7 percent.

National Job Change by Industry

(seasonally adjusted; Feb./Mar. growth are from previous month)

	Feb. 2014 ²	Mar. 2014 ³	2014 YTD ³
Mining & Logging	3,000	7,000	16,000
Construction	18,000	19,000	88,000
Manufacturing	19,000	-1,000	26,000
Trade/Transportation/Utilities	7,000	38,000	56,000
Information	-8,000	2,000	-9,000
Financial Activities	9,000	1,000	9,000
Professional/Business Services	81,000	57,000	187,000
Educational/Health Services	31,000	34,000	81,000
Leisure and Hospitality	29,000	29,000	83,000
Other Services	-1,000	6,000	9,000
Government	9,000	0	-13,000
Federal Government	-8,000	-9,000	-32,000
State Government	10,000	-2,000	1,000
Local Government	7,000	11,000	18,000
Total Job Growth	197,000	192,000	533,000

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. ¹ Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. ² Preliminary. ³ Revised.

Regional Housing Market

Jan.—Feb. Home Sales	Housing Units Sold		Average Days on Market	
	2013	2014	2013	2014
Hampton Roads	2,680	2,448	99	90
Norfolk	326	325	100	79
Chesapeake	432	363	87	80
Hampton	194	181	101	109
Newport News	232	217	118	104
Portsmouth	156	151	103	88
Suffolk	178	132	94	89
Virginia Beach	750	679	85	78

Average Residential Sales Price: January - February			
Area	2014	2013	% Change
Hampton Roads	\$213,504	\$215,594	-1.0%
Norfolk	\$168,425	\$179,238	-6.0%
Chesapeake	\$227,497	\$230,075	-1.1%
Hampton	\$136,324	\$138,631	-1.7%
Newport News	\$148,070	\$148,386	-0.2%
Portsmouth	\$122,909	\$112,227	9.5%
Suffolk	\$222,354	\$212,623	4.6%
Virginia Beach	\$262,774	\$268,404	-2.1%

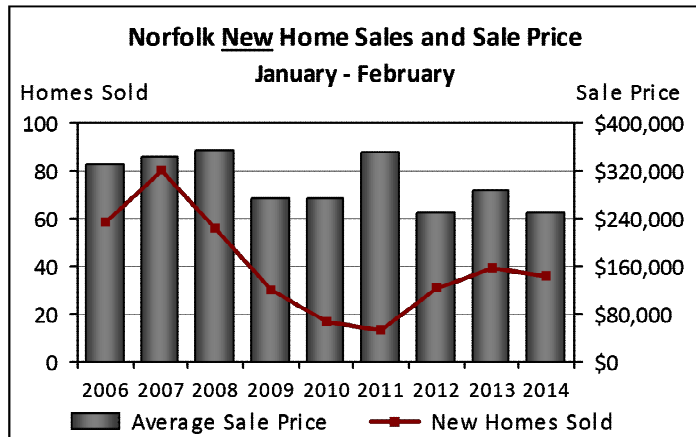
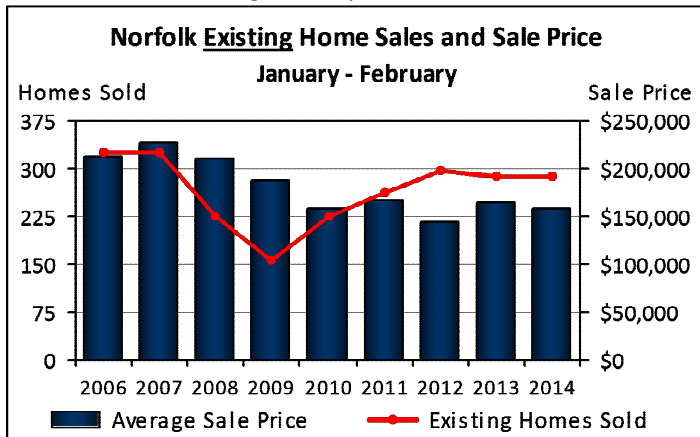
The Real Estate Information Network (REIN) reported the average sales price of homes sold in Hampton Roads through the first two months of 2014 fell 1.0 percent, to \$213,504 from \$215,594. Five of the seven major cities in the region also had a decline in the average sales price, and only Portsmouth and Suffolk had an increase. The median sales price of homes sold in the region also declined (2.6 percent).

Through February, the number of homes sold in the region also fell 8.7 percent, and all the seven major cities in the region seeing a decline. Norfolk had the lowest decline (0.3 percent), while Suffolk had the largest decline (25.8 percent) year-to-date. However, REIN reported a slight increase in residential pending sales (homes under contract) in the region of 0.85 percent from last year, with Suffolk and Portsmouth having the largest growth in pending sales at 20 percent and 18 percent, respectively, and pending sales falling in Virginia Beach and Newport News by 5.1 percent and 6.7 percent, respectively. The region's residential active listings (homes for sale) also increased in February by 1.36 percent, bringing the months' supply of inventory to 5.94 months, above the 5.72 months supply last month. Distressed homes also accounted for a smaller share of homes for sale and homes sold in the region at 20.8 percent and 30.7 percent, respectively, compared to 26.4 percent and 34.2 percent, respectively, last year.

Norfolk Housing Market

Through February, the number of existing homes sold in Norfolk rose slightly by 0.7 percent (2 homes) from last year (February 2013). The increase occurred in attached home sales only. In contrast, new home sales fell 7.7 percent (3 homes), mainly due to sales of detached homes.

The average sales price of existing homes sold through February fell 3.9 percent to \$158,100 from \$164,500 last year. The biggest decline was seen among existing homes sold priced in the \$200,000 range, while sales of existing homes priced above the \$200,000 range held steady. The average sales price of new homes sold also declined 12.7 percent to \$251,400 from \$287,900 last year. The decrease reflected fewer new homes sold priced above the \$300,000 range, while sale of homes priced below the \$300,000 range was unchanged. For both existing and new homes sold, the decline in the average sales price was seen in both attached and detached home sales.



Source: Real Estate Information Network (REIN)

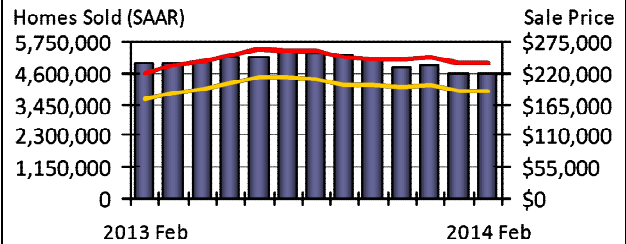
National Housing Market

Existing home sales in nationwide fell 0.4 percent in February to a seasonally adjusted annual rate (SAAR) of 4.6 million from the previous month's (January 2014) revised rate and was 7.1 percent below the previous year's rate of 4.95 million. The National Association of Realtors (NAR) indicated this was the lowest rate since July 2012 and that "rising prices and severe winter weather caused existing home sales to slip in February".

New home sales also fell in February by 3.3 percent from last month's (January) revised rate of 455,000 (SAAR) to 440,000 (SAAR). New home sales were also down 1.1 percent from last year's rate of 445,000 (SAAR). This was the second straight month of year-over-year decline. Prior to February and January revision, new home sales had been rising year-over-year in every month since October 2011. The average sales prices of existing and new homes sold also continued to rise by 7.4 and 1.6 percent from last year to \$237,300 and \$317,500, respectively.

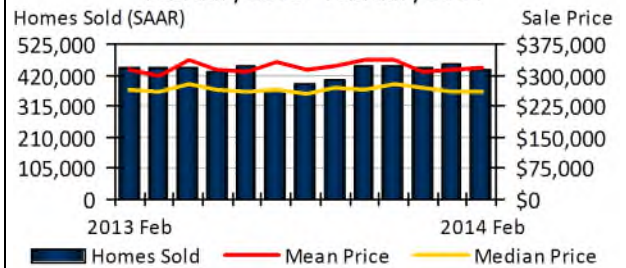
Existing Home Sales and Sale Price

February 2013 - February 2014



New Home Sales and Sale Price

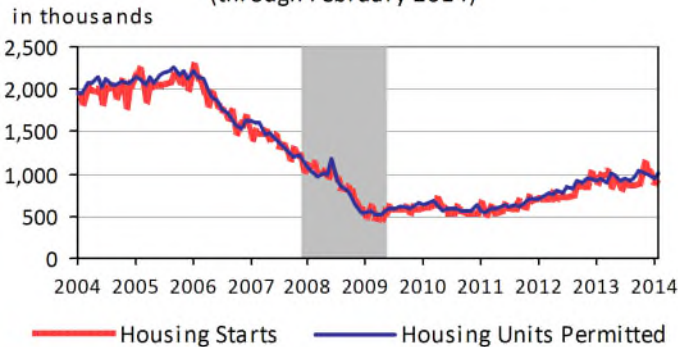
February 2013 - February 2014



National New Residential Construction

National Housing Starts and Building Permits

(through February 2014)



The Census Bureau reported privately-owned housing units authorized by building permits in February rose 7.7 percent to a seasonally adjusted annual rate (SAAR) of 1,018,000 (SAAR) from the revised rate of 945,000 in January. Compared to last year (February 2013), housing units permitted rose 6.9 percent and has been rising year-over-year since May 2011.

Privately-owned housing starts fell slightly by 0.2 percent to 907,000 (SAAR) in February from the upwardly revised rate of 909,000 in January, mainly due to housing units started in multi-family structures. From the previous year, housing starts fell 6.4 percent from the February 2013 rate of 969,000, mainly due to single family housing starts. With January's upward revision, this was the first year-over-year decline of housing starts since August 2011.

The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building. A house is "completed" when all finished flooring has been installed or at the time of occupancy.

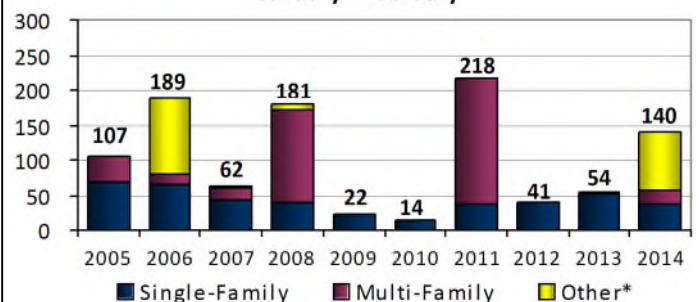
Source: National Association of Realtors (NAR), U.S. Census Bureau, and City of Norfolk Department of Development. * "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Shaded area denotes recession.

Norfolk Residential Building Permits

Through February, the number of housing units permitted in Norfolk rose to 140 units, an increase of 86 units (159 percent) permitted from the same period last year (February 2013). The increase year-to-date was mainly from housing units permitted in February to convert an office building to apartments. Likewise, the large variance in housing units permitted seen in previous years were also driven by multi-family projects such as, Meadowood Apartments (2011), SouthWind Apartments (2008) and Harbor Heights (2006).

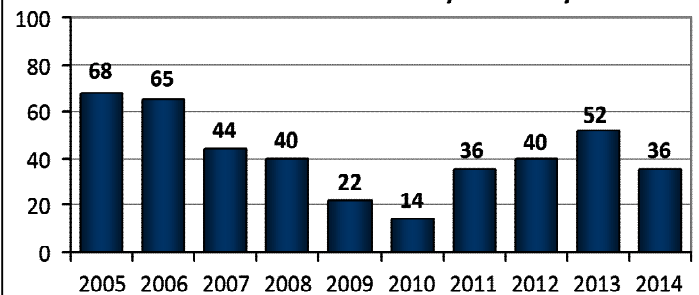
Number of Housing Units Permitted in Norfolk

January - February



Number of New Single-Family Dwellings

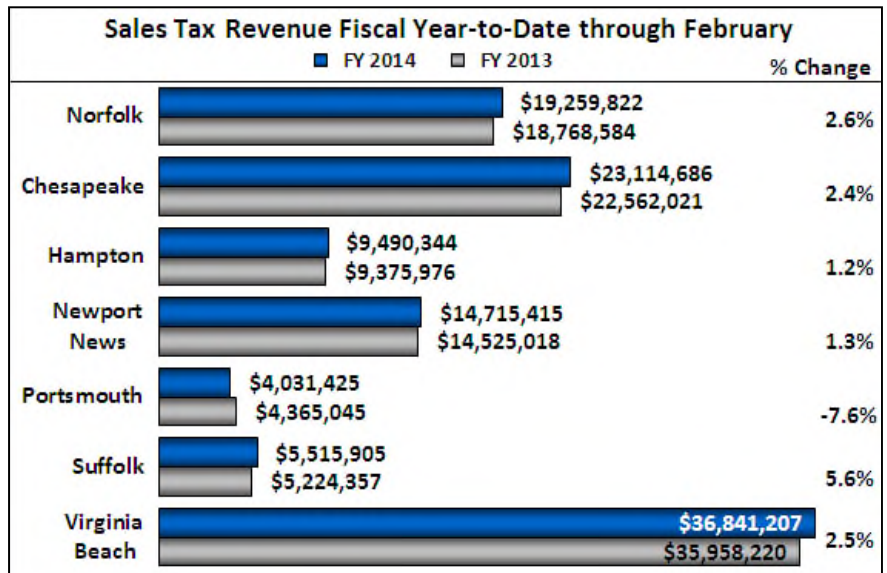
Permitted in Norfolk: January - February



Norfolk and Regional Sales Tax

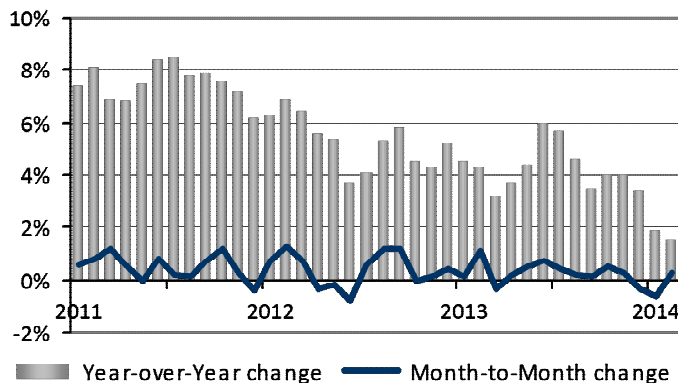
The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections in February totaled about \$2.36 million, which was 5.5 percent (about \$123,300) above last year. This was Norfolk's first monthly year-over-year increase since October. All the other seven major cities in the region also had an increase year-over-year for the month of February alone, ranging from 3.8 percent (Chesapeake) to 8.0 percent (Virginia Beach).

Fiscal year-to-date through February, Norfolk sales taxes were up 2.6 percent (about \$491,200). However, adjusting for the correction of an overpayment to Norfolk last year by TAX, sales taxes were down 2.0 percent. Sales tax collections through February also rose in all the other seven major cities in the region, except Portsmouth. The increase ranged from 1.2 percent (Hampton) to 5.6 percent (Suffolk), while Portsmouth's decline year-to-date was 7.6 percent.



National Retail and Food Service Sales

Percent Change in National Retail and Food Service Sales
(seasonally adjusted but not adjusted for price changes)

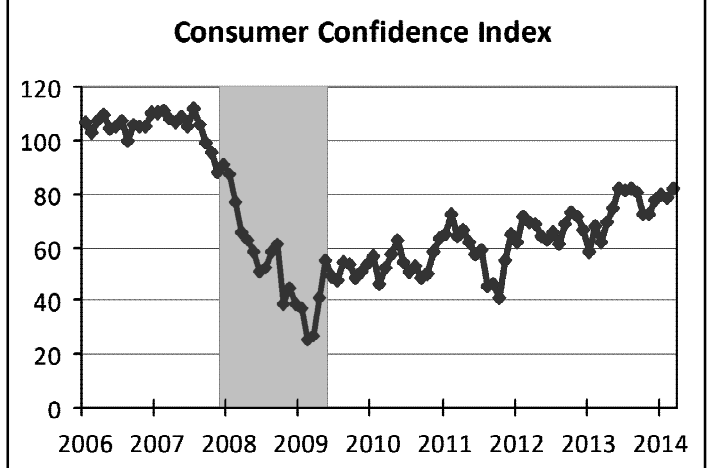


The U.S. Census Bureau reported national retail and food services sales in February rose 0.3 percent (preliminary) from the previous month (January 2014). This monthly increase followed two straight months of decline, which was largely from nonstore retailers (which includes internet and mail order sellers), health and personal care stores, motor vehicle and parts dealers, sporting goods/hobby/book and music stores, and restaurants and bars.

Compared to last year (February 2013), retail and food service sales rose 1.5 percent (preliminary). This was the weakest year-over-year growth since November 2009 and also the second straight month where the year-over-year growth fell below two percent. Prior to the past two months, the growth had ranged from 2.9 percent to 8.5 percent since December 2009. The majority of the increase were from nonstore retailers (which includes internet and mail order sellers), motor vehicle and parts dealers, food and beverage stores, health and personal care stores, and restaurants and bars.

Source: Virginia Department of Taxation, U.S. Census Bureau, and Conference Board.

Consumer Confidence Index

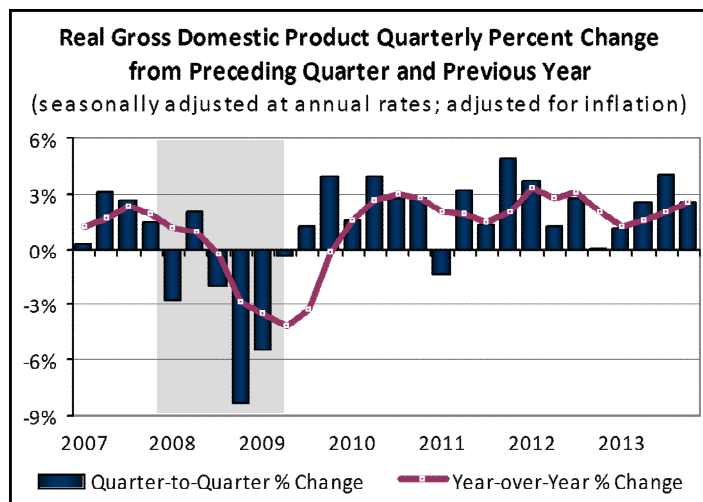


The Conference Board reported the Consumer Confidence Index rebounded in March to 82.3 from 78.3, its highest level since January 2008. Similar to February, driving the change was the Expectations Index, which measures consumer confidence in business, employment and family income six months from now. It rose to 83.5 from a revised 76.5 in February, while the Present Situation Index, which measures consumer confidence in current business and employment conditions, fell to 80.4 from 81, after rising for four straight months.

Lynn Franco, Director of Economic Indicators at The Conference Board indicated, "Consumer confidence improved in March, as expectations for the short-term outlook bounced back from February's decline. While consumers were moderately more upbeat about future job prospects and the overall economy, they were less optimistic about income growth....Overall, consumers expect the economy to continue improving and believe it may even pick up a little steam in the months ahead."

Real Gross Domestic Product (GDP)

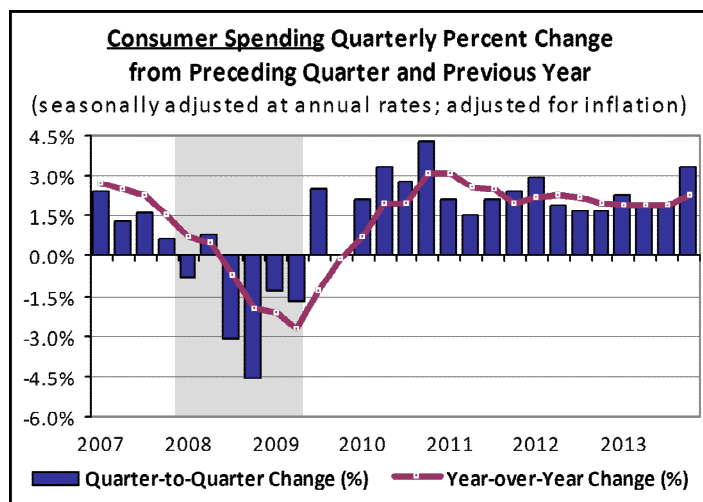
Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 2.6 percent (third estimate) in the fourth quarter of 2013, after rising at a 4.1 percent rate in the third quarter.



Slower growth in the fourth quarter reflected:

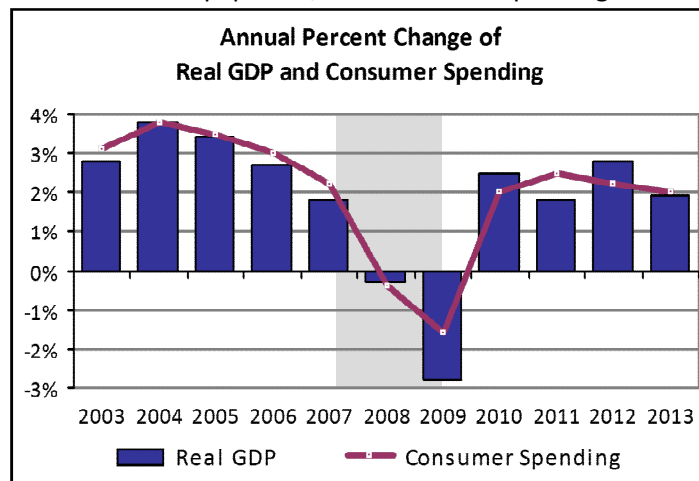
- **federal, state and local government spending** combined declining by 5.2 percent, after increasing 0.4 percent in the third quarter;
- **business investment in inventory** rising \$111.7 billion, slightly below the \$115.7 billion increase in the third quarter;
- **investment in commercial structures** falling 1.8 percent, after increasing 13.4 percent in the third quarter; and
- **investment in housing** decreasing 7.9 percent, the first quarterly decline since the third quarter of 2010.

Offsetting these declines were accelerated growth in consumer spending, exports, and business investment in equipment contributed positively to real GDP growth in the fourth quarter.



Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Shaded areas represents recession as determined by the National Bureau of Economic Research.

BEA also reported real GDP in 2013 grew 1.9 percent (third estimate), after increasing 2.8 percent in 2012. The deceleration of real GDP growth in 2013 reflected a larger decline in federal government spending and slower growth of investment in commercial structures, business investment in equipment, and consumer spending.



Consumer Price Index

The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported the CPI for all urban consumers rose 0.1 percent in February. Among the major expenditure categories, the food index rose 0.4 percent, which according to BLS, accounted for more than half the increase in the CPI. The energy index fell 0.5 percent, mainly due to a decline in gasoline prices. The core CPI, which excludes food and energy, rose 0.1 percent, due to a rise in the price of shelter, medical care, airline fares, recreation, new vehicles, and personal care products.

From the previous year, the CPI rose 1.1 percent before seasonal adjustment. Among the major expenditure categories, the energy index fell 2.5 percent, mainly due to an 8.1 percent decline in gasoline prices. In contrast, the food index rose 1.4 percent, while the core CPI rose 1.6 percent.

